JANUARY 31, 1983 THREE DOLLARS

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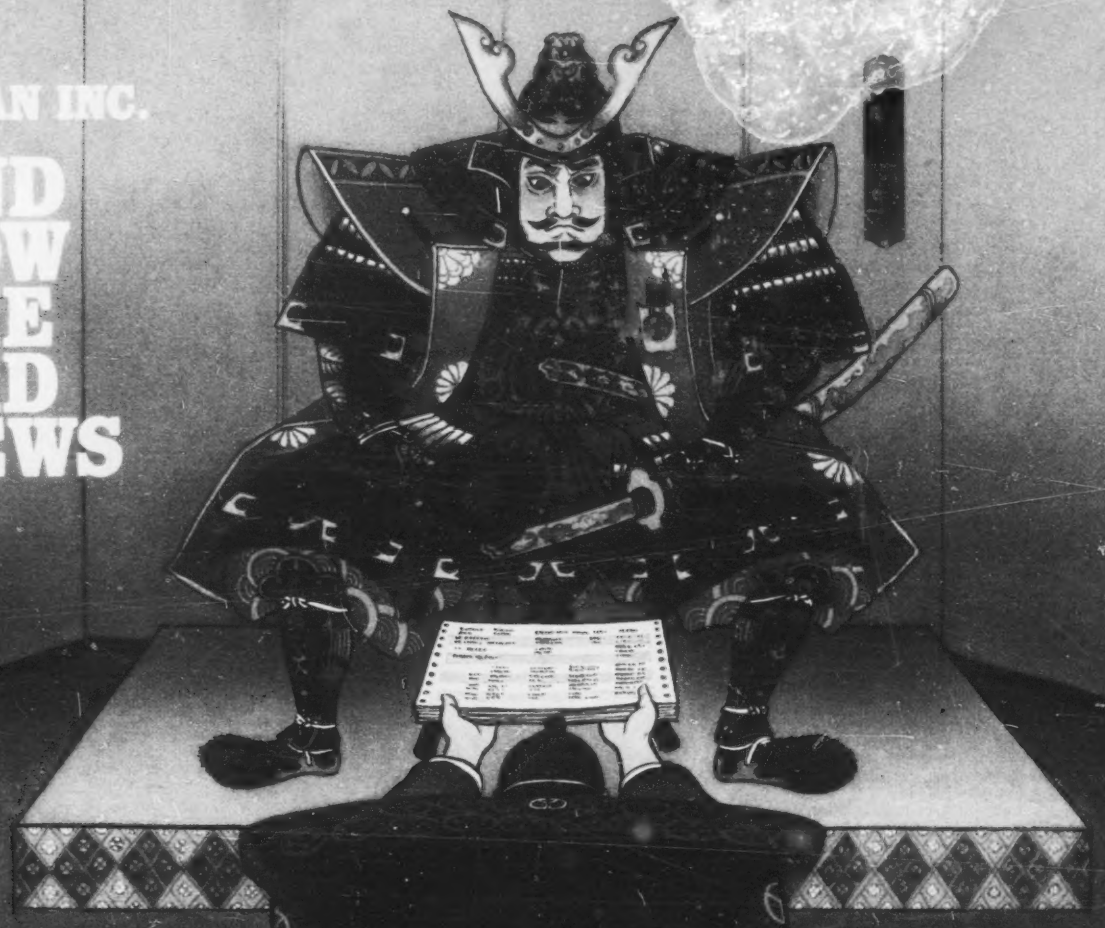
Forbes

JAPAN INC.

AND NOW THE BAD NEWS



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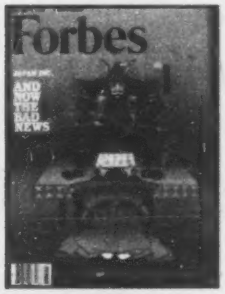

67 *Cover Story: U.S. trade negotiators may be knocking on the wrong door in Japan.*

33 *Companies: The key element in Macy's comeback? It's "per-square-foot" merchandising, says Edward Finkelstein.*

36 *Products: Can you tell the $8,000 Rolex from the $400 knockoff? More to the point, can your best friend tell?*

31 The Market:
"It's Not Like The Old Days"
Indeed not. Time was when a 5-point move in the DJIA was considered substantial. Now, the Dow can rise or fall 30 points in a day—or 15 points in a half-hour. What's going on?

32 The Market:
Common Comes Back
The best part of that alltime record $15.9 billion in new equity offerings last year was the number of big corporations represented. Some household names have rediscovered common stock financing, and that's good both for management and for many (but not all) shareholders.

33 Companies:
R.H. Macy
Just five years ago Macy's was a decidedly mediocre department store chain. Now it ranks at or close to the top in profitability among its peers. But Ed Finkelstein is still running scared.

34 Hawaii:
You Can't Eat Scenery
Trying to protect agriculture against industrial development, the "paradise state" has become a veritable purgatory for business in which both agriculture and industry stagnate.

36 Consumer Products:
Genuine Phonies
Why pay $400 for a $75 watch? Answer: So people will think you're wearing an $8,000 watch. It's evidently a thriving business, which, the "replica" makers say, is harmless, catering to that touch of ostentation in human nature. "Bloodsuckers and parasites," classy watchmakers call the knockoff artists, and they have gone to Congress to try to stop them.

37 Companies:
KLM Royal Dutch Airlines
Back in the 17th century it was the Dutch, not the British, who ruled the waves, presiding over a mighty empire around the world. Now KLM, the sixth-largest international airline, still proudly carries the flag—more profitably than almost all its competitors.

42 The Streetwalker:
Fast Track For Penn Central?
What is Carl Lindner up to? As usual, the canny Cincinnatian isn't talking, but there he sits with 33%. There are some good reasons for it. Also: Barris Industries may be about to be reborn as a schlock conglomerate; Wackenhut Corp., the last big independent detective agency; Newmont Mining—more copper these days than gold.

43 Profiles:
Stuart Moldaw
At 55, he's starting his fourth retailing chain because, he says, "the fun is putting the deal and the people together. Let others run it." Fun, to be sure, but also very profitable. Moldaw, who started out at $45 a week in an Allied Stores training program, is now worth an estimated $40 million.

46 The Up & Comers:
Verbatim Corp.
It's a classic example of how quickly a promising company can outgrow its founders. Moral: An imaginative scientist can be a lousy executive.

48 The Up & Comers:
Pansy Ellen Products, Inc.
It all started, you might say, with Pansy Ellen Essman's first granddaughter. Now the granddaughter is 20, and Essman's little company is thriving.

50 Companies:
Airborne Freight Corp.
Holt Webster can speak at length about what his firm has to offer that Federal Express—which Airborne seems to have copied down to the last detail—doesn't. But he also concedes, "It's very difficult to walk in and say, 'me too.' That really doesn't sell anything." Indeed it doesn't.

63 Numbers Game:
A Kick In The Teeth
That's what the bankers got from the FASB instead of a life preserver. The Board wants to shorten up on the current 40-year period of amortization of goodwill—the one device that has helped keep a number of ailing institutions afloat.

43 *Profiles: into the "specialty store era" with Stuart Moldaw.*

46 *The Up & Comers: after the magic suddenly went away at Verbatim Corp.*

63 *Numbers Game: New rules on purchase accounting may be devastating in some bank mergers.*

90 *Companies: Union Pacific is getting good news from all over.*

64 Government:
Siggi B. Wilzig vs. the Fed
Not many men would have fought the Federal Reserve Board as stubbornly—some would say as cynically—as Siggi B. Wilzig. But what's the Fed when you have survived Auschwitz and the Gestapo?

67 Cover Story:
Japan At The Crossroads
Behind the myth of omnipotent Japan lies a different reality. The simple fact is that the Japanese can no longer go on doing business abroad in the way that made them so successful; and they don't know, because of domestic politics, what to do about it.

76 Technology:
Europe Lifts Off In Space
The European Space Agency's $1 billion Ariane program is a plausible bet to become a commercial as well as a technological success. And it's just the tip of the iceberg in foreign competition for NASA.

Faces Behind The Figures

82 Peter Lynch,
Fidelity Magellan mutual fund
82 E.M. (Bud) Noel,
English muffin consultant
83 Richard Allen,
Talley Industries of Arizona
83 Daniel Silver,
Bruhnke & Silver
84 Francesco Galesi,
United Satellite Television

90 Companies:
Union Pacific Corp.
UP was already a powerhouse in oil, gas and other resources. Now its big merger with the Missouri Pacific and Western Pacific creates a highly profitable transportation competitor.

92 Personal Affairs:
So You Want To Be An Angel
It may be a lot of fun, but you'll probably never see your money again. If you're determined, however, here's how to go about it.

108 Statistical Spotlight:
Counting Chickens
The bull market has swept up many money-losing stocks that still have little to show except the analysts' confidence.

Money And Investments

25
What's Ahead For Business
26
The Forbes Index
87
The Forbes/ Wilshire 5000 Review

Columnists
99
Ben Weberman
100
David Dreman
101
Ashby Bladen
102
Stanley W. Angrist
104
Thomas P. Murphy
106
Srully Blotnick

Departments

6
Side Lines
8
Trends
12
Follow-Through
14
Readers Say
17
Fact and Comment
20
Other Comments
110
Editorial Index
111
Flashbacks
112
Thoughts

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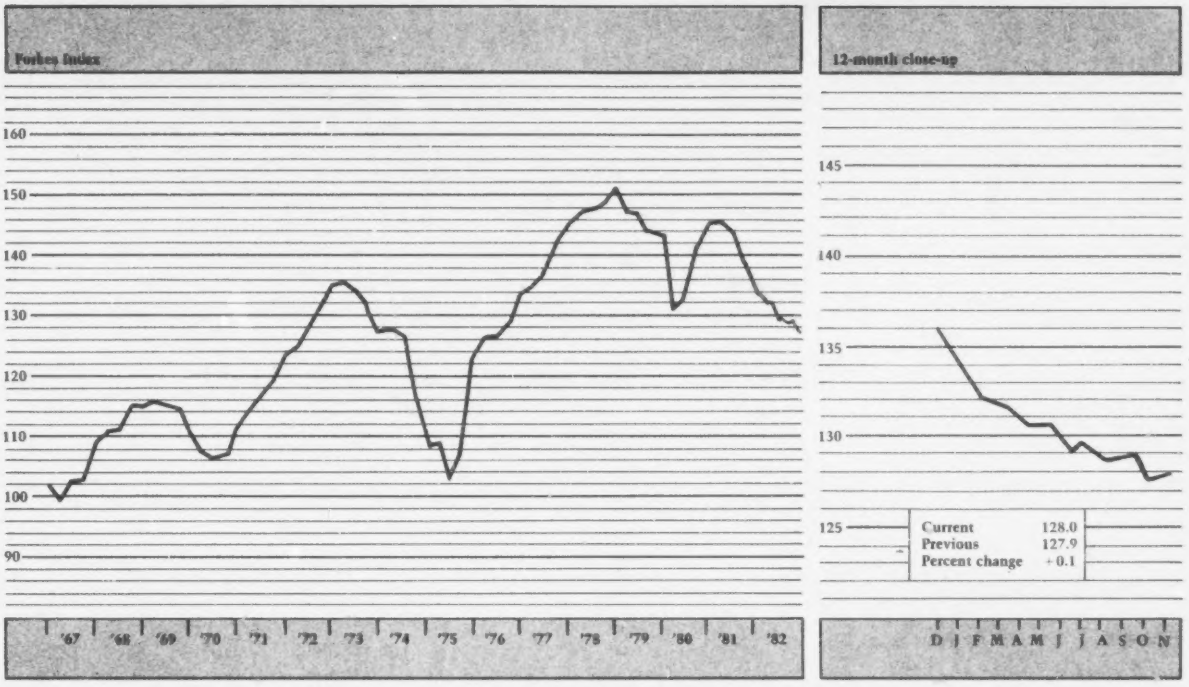
The Forbes Index



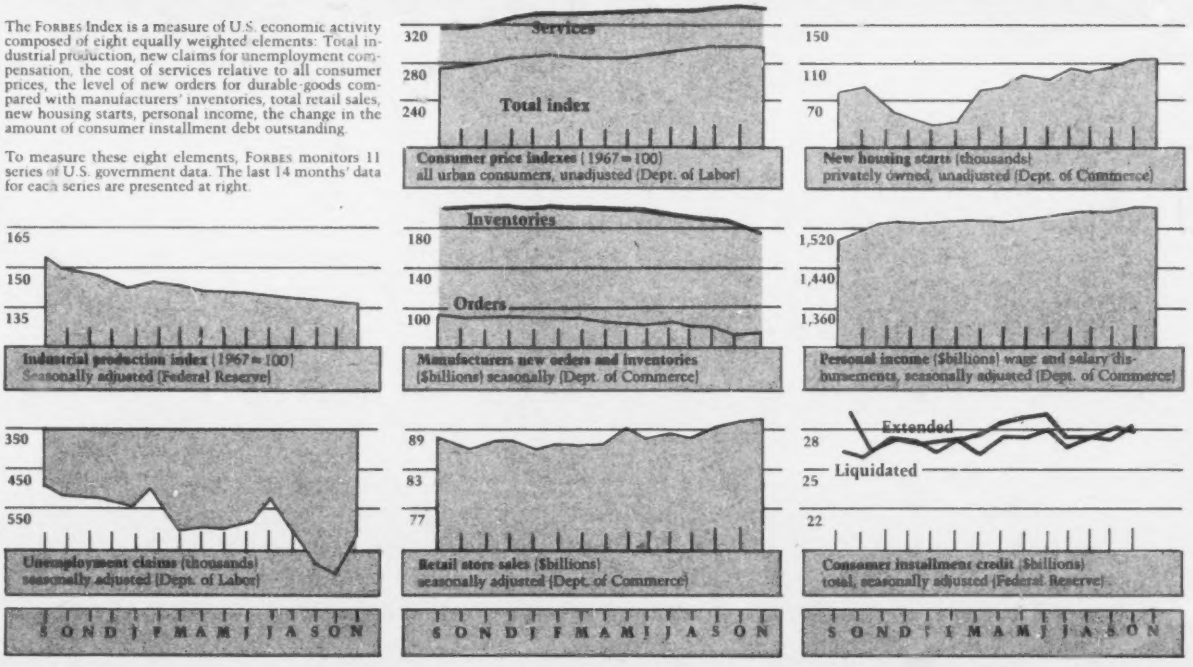
First crocus? The Forbes Index has posted a slight gain, following two declines. Three factors contributed to the turnaround. Unemployment claims dropped 8.7% in November against a 0.6% increase during the previous reporting period. Manufacturers' new orders rose 1.4% in November, compared with a 5% skid a month earlier. The third factor was manufacturers' inventories. A 1.3% decline, following a 0.5% dip in October, pushed inventories down to their lowest level in 1982.

The three factors may be signaling that an economic recovery is in the offing. On the other hand, the Forbes Index has yet to prove that the sawtooth pattern that characterized its movement throughout most of last year will not continue in 1983.

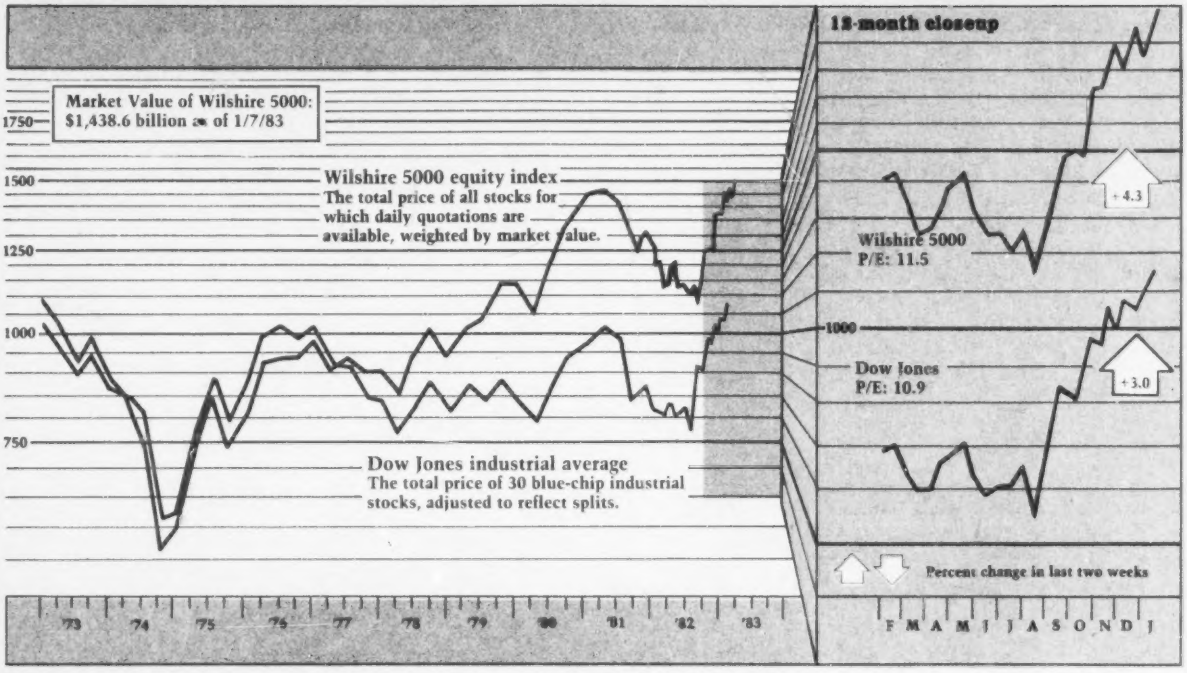
The Forbes Index Components

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable-goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, the change in the amount of consumer installment debt outstanding.

To measure these eight elements, FORBES monitors 11 series of U.S. government data. The last 14 months' data for each series are presented at right.



The Forbes/Wilshire 5000 Review



The bottom moves upward. The rally finally spread to the oils and to heavily depressed cyclicals—metals, resources machinery and chemicals—as investors apparently moved into what they perceived as areas of opportunity. The Dow managed to finish the last two weeks at an alltime high of 1076.07. But this high point marks only a 3% gain for the period. In comparison, the broader-based NYSE index is up 4.1% and the overall market, as measured by the Wilshire index, is up 4.3%. The real star is the Amex, which jumped 9.4% in the last two weeks as money rolled into oil and oil-service issues. Analysts are now ranking oils as their top choice *(see p. 88)*. Could this be the beginning of a fundamental turnaround for the energy stocks?

The yardsticks below point to investor activity on several fronts and further substantiate evidence that the rally is broadly based. Bottom-fishing helped low-P/E and low-priced issues to outperform the market by a significant margin. Another strong area of interest was in high-growth and high-volatility shares, both also considerably stronger than the major market indicators. In contrast, high-yield shares performed about in line with the market—a sign that investors are placing as much faith in stock appreciation as in dividend income.

Close-up On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[1]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	4.0	3.8	5.6	4.0	8.4	2.0
in last 52 weeks	19.8	20.2	24.2	20.6	16.6	24.2

Stock performance based on five key investor yardsticks

Percent change	Volatility[2]		P/E multiple		Dividend yield		Growth profile[3]		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	8.2	3.8	6.8	11.5	4.1	8.1	10.2	3.6	1.9	10.8
in last 52 weeks	46.4	28.8	25.9	63.4	26.3	58.2	54.8	31.4	21.7	42.3

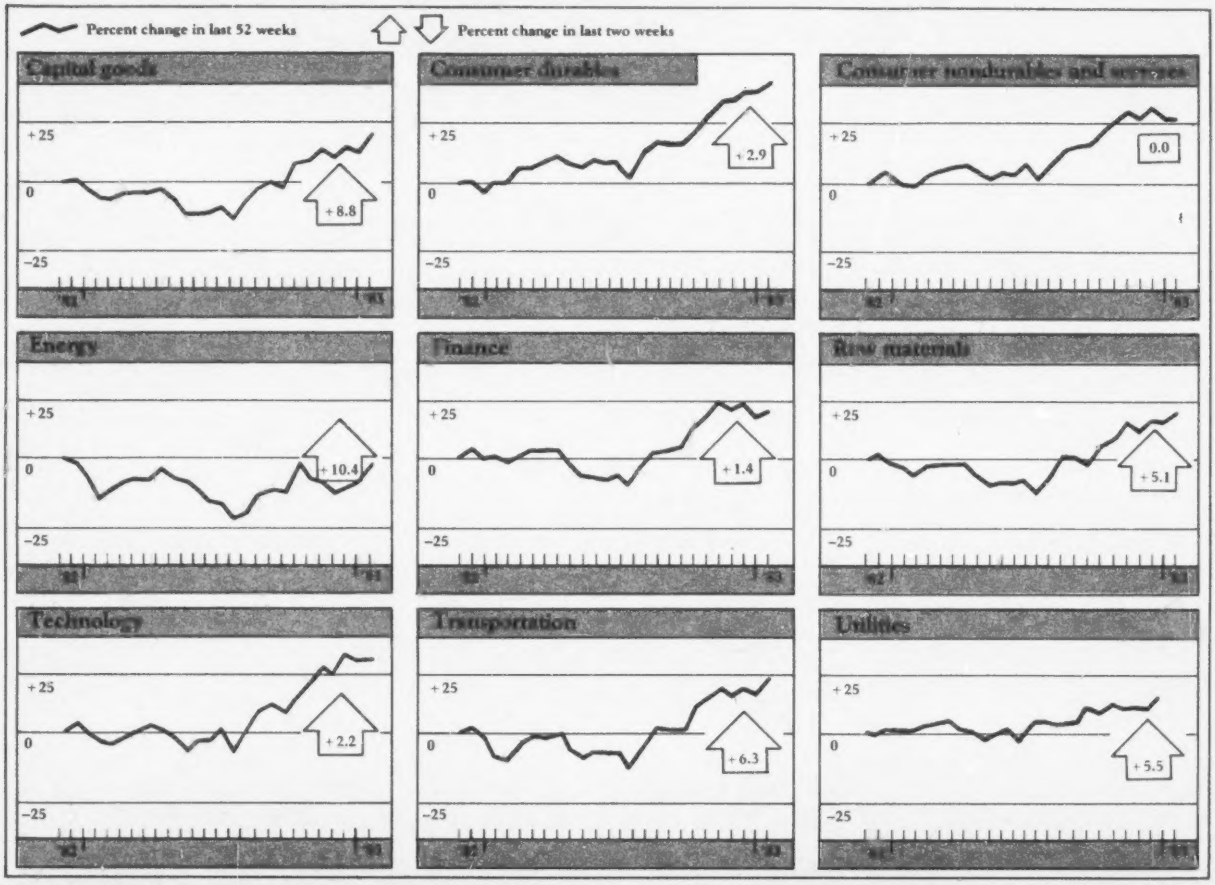
[1]Based on sales.
[2]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
[3]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 1/7/83. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

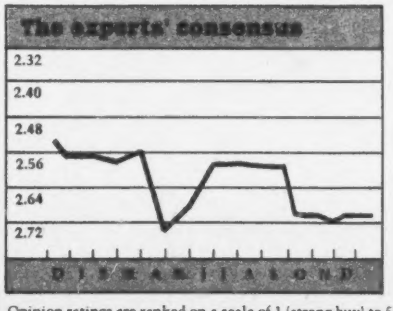
Energy roars back. It was almost inevitable that, if the rally lasted long enough, investors would finally pounce upon the oils and oil-related issues. For the last two weeks the energy sector gained 10.4%. Yes, there is still an oil glut, but the market is presumably looking several months ahead to an economic recovery. If recovery comes, a firming of oil supplies and prices seems likely. This logic also helped raw materials stocks gain 5.1% on our index.

Another sign that The Street is thinking recovery was the strong performance of the capital goods sector, which advanced 8.8%. Even the transportation index was up 6.3%. As some of the airlines lost ground, railroad and trucking issues picked up strength.



What The Analysts Think

Popular again. Since oils began their long decline in the fall of 1980, they have made several unsuccessful attempts to come back. Now analysts are bullish on the energy sector, and energy issues are ranked first. If these high-paid seers are correct this time, we could be witnessing the start of a major recovery.



Rank	Sector	Current opinion	Rank 2 weeks ago	Rank 4 weeks ago
1	Energy	2.60	2	2
2	Technology	2.61	1	1
3	Capital goods	2.70	3	3
4	Utilities	2.72	4	4
5	Finance	2.78	6	6
6	Transportation	2.79	5	5
7	Raw materials	2.80	7	7
8	Consumer nondurables	2.82	8	8
9	Consumer durables	3.03	9	9

Opinion ratings are ranked on a scale of 1 (strong buy) to 5 (strong sell). Data reflect the views of 200 institutional analysts. The consensus of opinion graph is the composite rating of 1,200 stocks, while the sector breakdowns correspond to industry groups graphed above. All figures are weighted for market capitalization.

Note: All data for periods ending 1/7/83. Prepared by Wilshire Associates, Santa Monica, Calif.

The bull market has swept up many moneylosing stocks that still have little to show other than promise.

Counting chickens

By Steve Kichen and Paul Bornstein

THE GREAT bull market of late 1982 was not terribly discriminating. There were doublings and even treblings among shares of companies that are currently in the red—the theory being that a pickup would put them back into profitability.

Listed below are 37 stocks with annual sales of $250 million or more, which have appreciated at least 50% since Aug. 16, 1982. All these companies have lost money over the last 12 months. But if the analysts are right, most should be in the black in 1983.

For the analysts' consensus we are indebted to the Institutional Brokers Estimate System (IBES), a service of New York-based brokerage firm Lynch, Jones & Ryan. IBES keeps track of what analysts think and expect. Nevertheless, most of these stocks don't appear to be cheap—at least on 1983 estimates. The IBES estimates show 15 companies selling at a multiple higher than the broadly based Wilshire index of 11. And 6 are not expected to earn money in 1983. Apparently, the market is looking beyond this year.

Cyclical industries—autos, housing and airlines—are well represented. So are S&Ls, prime beneficiaries of lower interest rates. "Every economic recovery is led by consumer cyclicals, particularly the airlines," says Marc Klee, portfolio manager of National Aviation & Technology Fund. Klee thinks airlines are extremely undervalued in spite of their sharp runups. UAL is his favorite.

Autos? "So far the only place the auto recovery has occurred is at the corner of Broad and Wall," says David Healy, an analyst at Drexel Burnham Lambert. Nevertheless, Healy is positive on Detroit for 1983.

A modest recovery in new housing starts has helped building and construction stocks. But Robert Curran of Merrill Lynch has become cautious on some. According to Curran, firms such as U.S. Home and Kaufman & Broad are fully valued. He would wait for a pullback before buying these stocks.

Is the market right about a recovery strong enough to rescue the weak sisters? "Yes," according to John Paulus, chief economist at Morgan Stanley. But if Paulus and those who agree with him turn out to be wrong, the stocks listed on this page could quickly drop back into the tank. ■

Which way next?

If analysts are right about these shares, fine. If they are wrong....

Company	Price: % increase since 8/16/82	Price: Recent	Earnings per share: Latest 12 months	Earnings per share: 1983 estimate	Earnings per share: Most profitable year since 1977
Bird & Son	212%	6¾	$–6.76	$0.38	$ 3.93
Chrysler	136	17⅛	–0.97	3.16	2.07
AM International	125	2¼	–3.98	NA	2.54
Golden West Financial	119	15⅝	–2.54	2.08	1.99
American Motors	115	7	–3.60	0.39	2.24
US Home	107	27⅛	–0.56	1.92	3.32
Gibraltar Financial	100	9½	–3.03	1.64	2.24
Kaufman & Broad	98	12⅞	–0.19	0.94	1.65
Imperial Corp of Am	93	13¼	–4.56	1.22	5.24
UAL	91	31¾	–4.18	2.51	11.93
Great Western Financial	90	26⅛	–3.29	2.59	4.15
Mark Controls	89	13½	–0.25	0.99	1.61
Arrow Electronics	85	18	–0.76	0.59	1.82
Quantronix	83	6⅞	–0.44	NA	0.41
Chicago & N Western Trn	82	22½	–0.12	1.49	3.23
Fruehauf	76	28⅝	–1.83	2.65	7.28
Condec	74	12⅝	–4.58	–0.74	2.87
Eastern Air Lines	70	7⅞	–5.38	–0.33	2.91
Ford Motor	69	38⅝	–6.38	6.25	14.16
National Semiconductor	69	22¾	–0.52	1.83	2.37
AMR	68	23¾	–1.87	2.46	3.36
Trans World	68	27½	–1.49	3.37	4.54
Louisiana Pacific	68	28¾	–0.29	1.51	3.36
Kay Corp	67	13⅜	–1.01	NA	2.10
Republic Airlines	65	7⅝	–1.07	0.74	1.42
Del E Webb	62	10⅛	–0.58	0.55	1.57
Fotomat	62	5¼	–0.21	0.12	1.18
Sam P Wallace	58	4¾	–0.38	NA	1.24
Atlas Cons Mng & Dev	57	2¾	–0.54	–0.20	0.51
Datapoint	57	18⅝	–0.18	0.74	2.45
Certain-teed	57	18	–1.53	1.14	3.68
Florida Steel	56	16¾	–1.83	–0.25	3.37
Delta Air Lines	53	41¾	–0.08	1.81	3.68
Kaiser Steel	52	24	–2.27	–3.00	12.76
Phelps Dodge	52	28½	–3.08	0.41	5.06
Manville	50	11¼	–0.36	0.82	5.62
Evans Products	50	9¾	–1.78	0.00	4.65

NA: Not available.

Sources: Wilshire Associates; Institutional Brokers Estimate System (IBES) of Lynch, Jones & Ryan